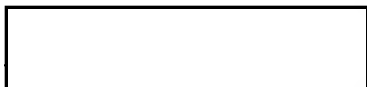


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2 April 1952

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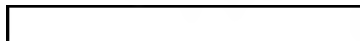
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State Department review completed

ARMY, PACOM and DIA review(s) completed.

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SOVIET UNION

1. Soviet Union negotiating for purchase of Tibetan wool:
The USSR is willing to buy Tibetan wool against cash payment in India, according to a press report from Kalimpong. Reportedly the agreement was reached in Calcutta during negotiations between a delegation representing the Tibetan Traders Association and a Russian "representative" who took back to Moscow "all grades of Tibetan wool" for examination. Of Tibet's annual export of eight million pounds of wool, about four million pounds are now reported to be available.

The report stated that the Tibetan wool trade was seriously threatened because the United States, formerly the best buyer, would stop purchases after 1 March 1952.

Comment: The Soviet Union obtained some of its wool imports in 1951 from the sterling area through an arrangement by which receipts from timber exports to the United Kingdom were used in part to purchase wool. Great Britain is not likely to sign a similar agreement for 1952 with the USSR.

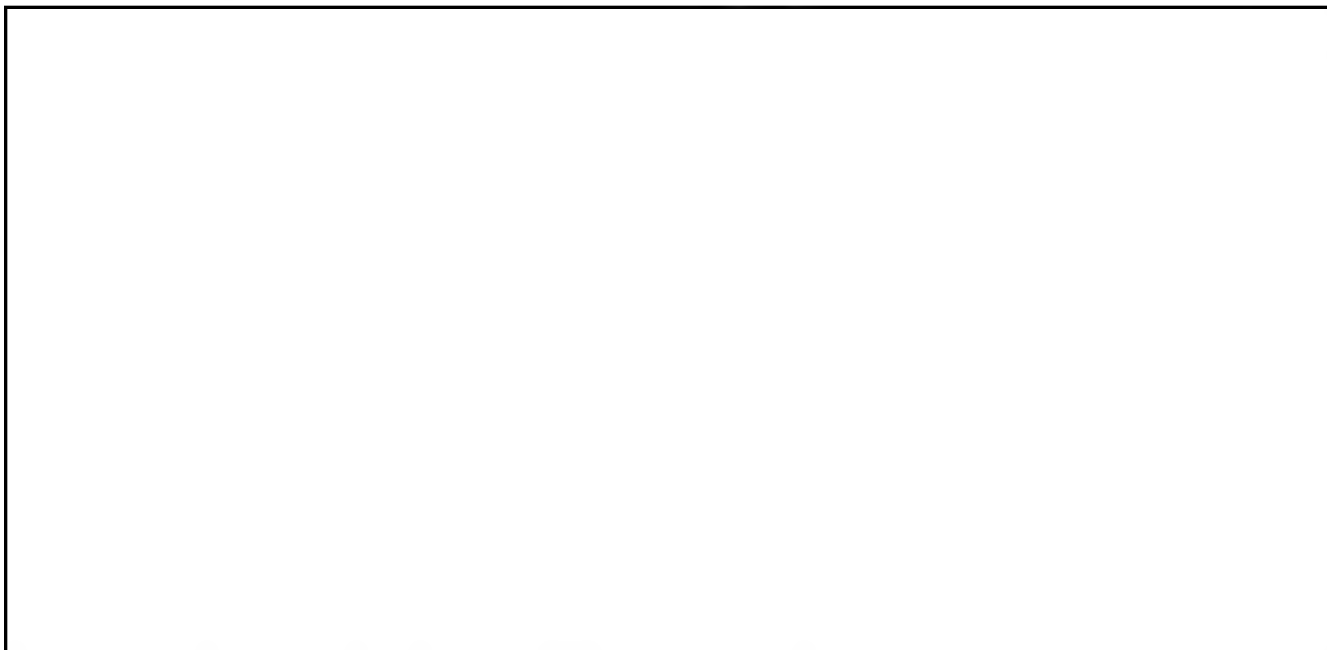
The large Tibetan wool surplus, however, provides the Soviet Union with an alternative source of supply, and opportunity to expand business relations with the Indian Government, which removed its export duty on wool on 17 March.

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EASTERN EUROPE



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3. Former Czechoslovak Ministers of National Defense and Security seen observing National Assembly meeting: Former Minister of National Security Ladislav Kopriva and former Minister of National Defense General Ludvik Svoboda were seen observing the meeting of the Czechoslovak National Assembly on 28 March. Svoboda was in civilian clothes.

Comment: Svoboda was replaced as Minister of National Defense by Alexej Cepicka in April 1950. Since that time he has been variously rumored to have committed suicide in prison, to be living at his country home and to be installed in an office in the Ministry of National Defense, but without duties. This report serves to discount the rumors of his suicide.

Kopriva was replaced by Karel Bacilek as Minister of National Security in January 1952, reportedly at his own request. More recently he has been reported to be in a sanatorium in Slovakia. It seems probable that neither is under arrest at the present time.

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4. Mammoth Liberation Day celebration planned in Hungary:
Preparations under way in Budapest indicate that 4 April, Liberation Day, will be celebrated as the principal Hungarian holiday. According to advance propaganda instructions, one of the themes will be "Down with the allies of plague and cholera, the imperialist murderers."

At least 200,000 civilians are expected to participate in the parade, together with 15,000 gymnasts and several thousand representatives of youth and women's groups. The streets and parks of Budapest are crowded with soldiers who are actively rehearsing for the mass show. [REDACTED]

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Comment: Hungary has gradually come to celebrate 4 April and 1 May as its major holidays. Little attention was paid this year to 15 March, the former national holiday commemorating the 1848 revolution. St. Stephen's day, 20 August, has been transformed into "Constitution Day" in honor of the Soviet-style constitution which was promulgated in 1949.

5. Poles reducing price of coal delivered to western Europe:
A trend toward lower prices for Polish coal delivered to western Europe has been noted by officials of the Mutual Security Agency in Paris. During the Polish-Austrian trade negotiations in February, the Poles for the first time appeared anxious to export coal to Austria. As a result the Austrians obtained a reduction in prices of between 35 and 50 cents per ton depending upon the grade of coal. Italy is now paying four dollars less per ton than during the last quarter of 1951, and Sweden, which will negotiate a new coal contract with Poland this April, confidently expects to receive a four to five dollar per ton price decrease.

According to the MSA, the price reductions in Polish coal are due to the following factors: (1) a mild winter and heavy imports of US coal during the last half of 1951, permitting the rebuilding of western Europe's coal stocks; (2) a decrease in the delivered price of US coal in Europe resulting from lower freight rates; (3) an increase in coal production in western Europe; and (4) the western denial of strategic goods to Poland resulting in a lower Polish coal export rate than planned, requiring the Poles to build up stocks which they desired to export. [REDACTED]

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Comment: Although the Poles have been forced by improved

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western bargaining position to reduce their coal prices, they can be expected to continue to strive to obtain strategic goods and raw materials or currency from the west in exchange for coal.

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FAR EAST

6. Japanese Communists to conduct military training: The Japanese Communist Party is planning to conduct military training courses throughout Japan for selected members during April, according to [REDACTED] CINCFE. The training allegedly will include the use of weapons and explosives. [REDACTED]

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Comment: Recent Communist directives have called for the formation of small para-military units in preparation for eventual armed action by the party, and it is probable that some units actually have been formed. It is fairly well established that an organization exists within the JCP's covert structure which is responsible for their activities. There is no confirmation of [REDACTED] the alleged acquisition of arms by the party.

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8. New cabinet in Thailand indicates temporary political stability: The new Thai cabinet announced by Premier Phibun on 28 March presents very few significant changes. The most important appears to be the appointment of Prince Wan, Ambassador to the United States, as Foreign Minister. The American Embassy in Bangkok comments that the rivalry between the Phibun, Sarit and Phao factions has not been resolved and that all concerned have apparently agreed "to let sleeping dogs lie." [REDACTED]

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NEAR EAST - AFRICA

9. Resignations to bring Greek cabinet reshuffle: The recent resignations of the Greek Ministers of Press and Coordination, both leaders of the leftist EPEK Party, have raised to four the number of ministries now vacant, and an extensive cabinet reshuffle is in progress.

Meanwhile, Liberal spokesmen have again urged the American Embassy to persuade opposition leader Papagos to cooperate in a "government of national unity" for six months, after which elections would be held if the coalition failed.

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Comment: These latest resignations, over the execution of four Communist leaders on 30 March, have considerably weakened the coalition government by lessening EPEK representation. Latest reports indicate that the Liberals will continue to hold the key post of Defense Minister, temporarily filled by Acting Prime Minister Venizelos, while EPEK will retain the Ministry of Coordination.

There is no indication that Papagos is any more willing at present to cooperate with the Liberal-EPEK coalition than he has been in the past.

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WESTERN EUROPE

11. Results of preliminary conference on European agricultural pool disappointing: Both the French and the Dutch are disappointed that the recent preparatory "green pool" conference in Paris failed to agree to the creation of a supranational authority and to proceed with its development. Britain, Switzerland, and Sweden definitely will not join such an authority, and even the Schuman Plan countries are divided on how effective one would be. Only Turkey, France, Greece and the Netherlands favor a supranational authority without qualifications. The split in the French delegation, involving extensive differences between the French Minister of Agriculture and rival farm leaders, may have further repercussions that could seriously affect the future French position.

No specific integration plan was presented, and the full discussion of each national viewpoint was felt to contribute to a broader interest in the possibility of integration. A plenary conference of the technical experts of the participating countries will be held in Paris between June and October.

Comment: French farm leaders want a pool strong enough to insure creation of a larger European market and thus encourage increased production. Members of the French delegation, however, who were dissatisfied by their Minister's weak presentation of the French proposal, undoubtedly fear that their country's position may be adversely influenced by the French National Management Association, an industrial group which has consistently opposed agricultural integration.

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13. French non-Communist labor leaders adopt wait-and-see attitude toward Pinay: If French Premier Pinay can halt inflation and obtain the effective cooperation of management in his price and tax program, the national leadership of the Socialist-oriented Force Ouvriere will not actively oppose the new government. The leaders of this labor organization prefer a strong right-wing government to the unstable coalitions of recent years, provided labor's interests are not further restricted. They are apprehensive, however, that Pinay is under the influence of conservative elements formerly associated with Vichy, and charge that he has an aversion to current long-range economic plans. [REDACTED]

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Comment: The Socialist party had hoped to rebuild a strong labor following based on the Force Ouvriere -- one of the two principal but relatively weak non-Communist labor organizations -- by actively opposing the Pinay government.

14. Mutual Security officials warn that Austrian economic stability is at stake: Mutual Security Agency officials in Vienna warn that unless strong American pressure is exerted on the Austrian Government, political compromises may lead to "neutralization" of an economic and financial program necessary to Austrian stability. With a budget deficit of two billion schillings now in prospect, these officials assert that Socialist opposition to a reduction in and a redirection of public investments promises the continuation of inflation, with the likelihood of further deterioration after American aid is terminated. They warn, on the other hand, that aspects of the People's Party financial proposals are unsatisfactory and that pressure will be required to persuade the conservatives to carry out banking reforms and eliminate restrictive business practices.

While US officials in Austria thus appear less concerned that the coalition will fall on these issues, the lines of the controversy nevertheless appear on the surface to be tightly drawn. Portions of the MSA-Ministry of Finance anti-inflationary

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program remain anathema to Socialist leaders, and the trade unions continue their denunciation of a cut in public outlays and in industry taxes. With construction employment still lagging behind last year and with further increases in part-time employment and lay-offs in finishing industries, a Socialist retreat becomes increasingly more difficult.

[REDACTED]

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15. Britain now eager to earn dollars by manufacturing ammunition: The British Government last week reversed its previous contention that facilities for the production of ammunition for the American overseas defense procurement program were not available in Britain, and now proposes to bid on a number of specified items. The change in position is attributable to an altered internal economic picture, especially increased labor availability, and the desire to earn desperately needed dollars.

[REDACTED]

Comment: The measures restricting production of goods for domestic use in Britain introduced in the March budget are releasing productive facilities for the increase of exports. Britain is now eager to utilize the freed capacity for additional military production, but only to the extent that it will improve its balance of payments.

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16. Swedish and Norwegian press discounts Communist BW charges: The non-Communist press in Sweden and Norway has curtly dismissed as "unreasonable" the Chinese Communist charges concerning UN biological warfare in Korea and has cited in refutation several Red Cross sources recently returned from Korea. Swedish and Norwegian non-Communist newspapers view the current Communist propaganda campaign as one designed to delay a settlement in Korea as well as to bolster North Korean morale.

[REDACTED]

LATIN AMERICA

17. Uruguay agrees to diplomatic-military conversations with United States: The Uruguayan Government has formally confirmed its intentions of "studying the desirability and possibility of concluding a bilateral agreement on military assistance," and has stated that it is now ready to begin talks.

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25X1 Ex-Foreign Minister Dominguez Campora will preside over the committee which has been set up to carry on the necessary conversations.

Comment: Dominguez Campora served as Foreign Minister between November 1950 and 1 March 1952. Prior to that time he was Uruguayan Ambassador to the United States.

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2 April 1952

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* * *

GENERAL

1. British agree on undesirability of UN registration for military agreements between NATO countries: The British Foreign Office agrees that it is undesirable to register with the United Nations, under Article 102 of the Charter, detailed defense and base rights agreements made among NATO members. The Foreign Office suggests that if such agreements are concluded at the level of service, local, or departmental authorities instead of on an inter-governmental level, they could be considered as administrative or technical arrangements which are not normally registered with the UN. [REDACTED]

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[REDACTED]

Comment: This registration problem is a delicate one, complicated by legal, security, and internal political factors. [REDACTED]

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The preliminary French reaction was one of general agreement with the American suggestion that the defense and base rights agreements were implementing arrangements being developed under Article 3 of the North Atlantic Treaty and hence need not be separately registered with the UN under Article 102. The Canadians and the British see legal obstacles in a non-registration policy.

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NEAR EAST-AFRICA

3. Clarification of Western defense objectives in the Middle East urged: The United States, Britain, France and Turkey must clarify their objectives in the Middle East, according to the American Ambassador in Baghdad. He points out that Iraq may soon raise the question of Britain's future right to use two air bases in Iraq, and that it is therefore advisable for the West to have "some answers" available. He believes that the Iraqi situation depends upon future developments in Egypt.

The government in Baghdad favors an international plan in preference to a continuation of the Anglo-Iraqi treaty relationship to safeguard Iraq's security. The Ambassador believes that the Iraqis may even insist upon a plan devised by the Middle Eastern nations, such as the Arab Collective Security Pact.

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4. Agreement on terms of Anglo-Egyptian negotiations still lacking: The British Ambassador and the Egyptian Foreign Minister discussed on 29 March the British draft of a joint declaration that Anglo-Egyptian negotiations would be based on the withdrawal of British forces and the supersession of the 1936 treaty by alternate arrangements.

According to the draft, which has not yet been approved by the British Cabinet, the two countries would then proceed to negotiate on the terms of the British withdrawal, the future defense of the Suez Canal, the equipping of the Egyptian Army, and their respective contributions to the security of the Middle East. The declaration would pledge

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the two countries to discuss the future of the Sudan on the basis of the right of the Sudanese to determine their future, without prejudicing Farouk's right to the title of King of the Sudan pending self-determination.

The Egyptians refused to discuss the topics outlined by the British or to accept any commitment toward the defense of the entire Middle East region. Egypt declared itself ready to recognize the right of the Sudanese to determine their future status but wants Britain to state that it does "not oppose the unity of the Sudan and Egypt under the Egyptian crown." Egypt would interpret this statement as British recognition of Farouk's title to the Sudan, pending Sudanese self-determination.

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